

Original sponsor: Rules/Governor

Offered: 4/16/80
Referred: Finance

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

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CS FOR SENATE BILL NO. 384

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IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the Alaska Housing Finance Corporation; establishing a special mortgage purchase program, a mortgage interest reduction fund, and a housing insurance fund; and providing for an effective date."

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11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. FINDINGS. (a) The legislature finds that the Alaska Housing Finance Corporation program of financing the purchase of residential mortgage loans is in jeopardy because of legislation pending in the United States Congress which would deny tax exemption to bonds issued by the corporation to provide money for purchasing the mortgage loans. In addition, extremely high interest rates have adversely affected the ability of persons not eligible for the corporation's programs to secure mortgage loans from conventional lending sources to purchase residential housing. The continuance of the residential mortgage purchase program of the corporation and of residential mortgage lending activities of other mortgage lenders and the reduction of mortgage interest rates are essential to help assure a supply of housing for home purchasers in the state.

(b) The legislature further finds that establishment of a special mortgage purchase program authorizing the creation, purchase, and sale of mortgage participations, a mortgage interest reduction fund providing for reduced interest rates on home mortgages, and a special housing mortgage insurance program providing for insurance of home mortgages purchased by the corporation will assist the Alaska Housing Finance Corporation and private

1 mortgage lenders to continue to finance the purchase of residential mortgage
2 loans and enable Alaskans to achieve home ownership at affordable mortgage
3 interest rates even if the ability of the corporation to issue tax exempt
4 obligations is ultimately withdrawn by the United States Congress and
5 mortgage interest rates continue at the present levels, which are now higher
6 than they have ever been in recent economic history.

7 * Sec. 2. AS 18.56.030(a) is amended to read:

8 (a) The corporation shall be governed by a board of directors. The
9 board of directors of the corporation consists of the commissioner of
10 the Department of Commerce and Economic Development and the commissioner
11 of the Department of Revenue, serving as ex officio members, and three
12 public [SIX] members appointed by the governor. If an ex officio member
13 of the board is absent or otherwise unable to act, he may designate an
14 employee in his department to act as a member of the board in his place.

15 * Sec. 3. AS 18.56.030 is amended by adding a new subsection to read:

16 (e) The commissioner of the Department of Commerce and Economic
17 Development is the chairman of the board and the commissioner of the
18 Department of Revenue is the secretary. A majority of the members of
19 the board constitutes a quorum.

20 * Sec. 4. AS 18.56 is amended by adding new sections to read:

21 Sec. 18.56.097. MORTGAGE INTEREST REDUCTION FUND AND SPECIAL
22 MORTGAGE PURCHASE PROGRAM. (a) There is established in the corporation
23 the mortgage interest reduction fund. The mortgage interest reduction
24 fund must be completely segregated from other funds of the corporation,
25 and is a trust fund for the uses and purposes of this section. Money
26 may be paid into and out of the mortgage interest reduction fund only as
27 provided in this section.

28 (b) The purpose of the mortgage interest reduction fund is to
29 provide for interest rate reductions to mortgagors on mortgage loans

1 made under the special mortgage purchase program of the corporation.
2 Under the special mortgage purchase program, the corporation may pur-
3 chase a housing mortgage loan, including a housing mortgage loan for a
4 mobile home, and any other housing mortgage loan for a single-family
5 dwelling or an owner-occupied duplex which does not exceed the limita-
6 tions on mortgage loans purchased by the Federal National Mortgage
7 Association as to principal amount and loan-to-value ratio and which
8 meets prudent lending criteria. Under the special mortgage purchase
9 program, the corporation may purchase housing mortgage loans issued for
10 the purpose of refinancing existing housing mortgage loans only to the
11 extent that the amount refinanced does not exceed the loan balance,
12 subject to the availability of money. The corporation may make weekly
13 forward commitments to purchase certain amounts of mortgage loans at a
14 yield rate determined by the corporation which will allow fair ser-
15 vicing fees and administrative expenses to the originator of the loan.
16 The mortgage loans which the corporation commits to purchase shall
17 meet prudent lending criteria as set out in regulations adopted by the
18 corporation. The corporation may purchase, sell, hold, or otherwise
19 deal in a mortgage loan purchased as part of its special mortgage pur-
20 chase program. In connection with the purchase or sale of a beneficial
21 interest or participation in mortgage loans, the corporation may
22 enter into a trust agreement providing for the custody, control, and
23 administration of the mortgage loans. The trust agreement may provide
24 that the corporation or an insured savings and loan association, credit
25 union, bank or trust company act as trustor or trustee under the trust
26 and that title to the mortgage loans be considered to have passed as
27 provided in the trust agreement. To the extent provided in the trust
28 agreement, the effect of sale of beneficial interests or participations
29 is the same as the sale of the mortgage loans subject to the trust. The

1 corporation may adopt regulations prohibiting, limiting, or setting
2 conditions on the right to assume a mortgage loan made as part of the
3 special mortgage purchase program.

4 (c) The corporation shall establish and amend, as necessary, an
5 interest rate reduction for mortgages purchased as part of its special
6 mortgage purchase program to prevent the interest rate to the borrower
7 from exceeding nine and one-half percent a year. The mortgage interest
8 reduction fund may be financed only from appropriations by the legisla-
9 ture.

10 (d) In determining the amount of the appropriate interest reduction
11 on a mortgage loan which it has committed to purchase as part of its
12 special mortgage purchase program, the corporation shall calculate the
13 total amount of the interest reduction payable over the scheduled term
14 of the mortgage loan, together with the total amount of servicing fees
15 and administrative expenses estimated to be payable over the term of the
16 mortgage loan. To the extent investments are available, the corporation
17 shall invest an amount held in the mortgage interest reduction fund in
18 investments earning interest or yielding amounts payable at the times
19 and in the amounts which, together with the principal of the investments
20 and cash held, will be sufficient to pay the interest reduction and
21 expenses as they become due. The corporation shall set aside the
22 investments and cash held irrevocably in trust or otherwise for the
23 purpose of paying the interest reduction and expenses. The statement of
24 the corporation on the mortgage note that the amount of the interest
25 reduction is payable from the mortgage interest reduction fund con-
26 stitutes the obligation of the corporation to pay that amount from the
27 mortgage interest reduction fund according to the terms of the state-
28 ment, and is conclusive evidence that the amount of the interest
29 reduction is so payable. Interest reductions may be paid only from the

1 mortgage interest reduction fund. In this subsection, "expenses" means
2 servicing fees and administrative expenses.

3 (e) The corporation may enter into agreements as to the use of
4 money in the mortgage interest reduction fund, including, without limita-
5 tion, trust or custody agreements with insured banks, insured savings
6 and loan associations, insured credit unions, or insured trust companies
7 and may pledge, assign, or grant an agreement, an interest under an
8 agreement, or an interest in the mortgage interest reduction fund to
9 provide for timely payments of the amounts of the interest reduction and
10 expenses and as may be necessary or appropriate to provide for the
11 payment of and security for bonds of the corporation.

12 (f) In this section and in AS 18.56.098, "mortgage loan" includes
13 a beneficial interest or participation in a mortgage loan.

14 Sec. 18.56.098. INSURANCE. (a) There is established in the
15 corporation the housing insurance fund. The housing insurance fund must
16 be completely segregated from all other funds of the corporation, and is
17 a trust fund for the uses and purposes of this section. Money may be
18 paid into and out of the housing insurance fund only as provided in this
19 section. The corporation may enter into agreements as to the use of
20 money in the housing insurance fund, agreements with respect to the
21 terms and conditions upon which payments from the housing insurance fund
22 must be made to the corporation with respect to mortgage loans insured
23 under this section, and agreements regarding the payment of and security
24 for bonds of the corporation. The corporation may pledge, assign, or
25 grant other interests in the housing insurance fund as may be necessary
26 or appropriate in connection with the insurance of mortgage loans and to
27 provide for the payment of and security for bonds of the corporation.

28 (b) In addition to other fees and charges which the corporation
29 may charge on mortgage loans, the corporation may collect or cause to be

1 collected on all mortgage loans insured under this section either a
2 housing loan insurance commitment fee or a housing loan insurance
3 premium or both. The housing loan insurance commitment fees and housing
4 loan insurance premiums when received shall be deposited in the housing
5 insurance fund by the corporation, or by the mortgage loan servicer,
6 trustee, or agent designated by the corporation to receive them.

7 (c) A mortgage loan purchased by the corporation as part of its
8 special mortgage purchase program, including a housing mortgage loan for
9 a mobile home and a refinanced housing mortgage loan may be insured by
10 the housing insurance fund. The endorsement of the corporation on the
11 mortgage that it is insured under this section at the time of purchase
12 or acquisition of the mortgage loan is conclusive evidence that the
13 mortgage loan is insured under the provisions of this section.

14 (d) Mortgage loans may be insured only when the amount in the
15 housing insurance fund as a percentage of the sum of all mortgage loans
16 to be insured and all unpaid principal on mortgage loans insured by the
17 corporation equals or exceeds the fund requirement. The fund require-
18 ment is calculated as a percentage of the unpaid principal balance of
19 the mortgage loans insured which the corporation determines is actuari-
20 ally sound for operation of the housing insurance fund.

21 (e) In determining actuarial soundness with respect to the opera-
22 tion of the housing insurance fund, the corporation shall consider means
23 of providing sufficient revenues for the operation of the housing insur-
24 ance fund, without regard to amounts which may have been or may, after
25 the date of determination of actuarial soundness, be appropriated under
26 (f) of this section, and the corporation shall consider estimates of
27 future defaults and losses on mortgage loans insured under this section
28 based on actual default and loss experience on those mortgage loans or
29 on similar mortgage loans in Alaska or elsewhere, estimates of recover-

1 ics on defaulted or foreclosed mortgage loans based on actual recovery
2 experience on those mortgage loans or on similar mortgage loans in
3 Alaska or elsewhere, the terms and conditions of the mortgage loans
4 insured under this section, estimates of earnings and income of amounts
5 on deposit in the housing insurance fund, and other appropriate factors.

6 (f) On December 1 of each year, the corporation shall ascertain
7 the amount on deposit in the housing insurance fund. If the amount in
8 the housing insurance fund is less than the fund requirement, the cor-
9 poration shall transfer the amount necessary to restore the housing
10 insurance fund from available money which is not encumbered or re-
11 stricted for other use under the terms of contracts with bondholders or
12 others. If the amount in the housing insurance fund is less than the
13 fund requirement, the corporation shall, no later than January 2 of the
14 following year, certify in writing to the governor and to the legis-
15 lature the amount, if any, required to restore the fund to the fund
16 requirement. The legislature may appropriate the amount and the
17 corporation shall deposit the amounts appropriated during the then
18 current state fiscal year in the housing insurance fund. Nothing in
19 this subsection creates a debt or liability of the state.

20 (g) In this section:

21 (1) "housing loan insurance commitment fee" means a fee
22 stated as a percentage of the principal amount of a mortgage loan to be
23 insured under this section determined by the corporation to be actuari-
24 ally sound for the operation of the housing insurance fund;

25 (2) "housing loan insurance premium" means an annual insur-
26 ance premium stated as a percentage of the portion of the unpaid princi-
27 pal amount of a mortgage insured under this section determined by the
28 corporation to be actuarially sound for the operation of the housing
29 insurance fund.

1 * Sec. 5. AS 18.56.030(b) and (c) are repealed.
2 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
3 10.070(c).
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